July 31, 2014

Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Project No. 26-5E

On behalf of the PICPA Committee on Local Government Accounting and Auditing and the members of the PICPA we are submitting our comments on the Project No. 26-5E-Proposed Statement on Fair Value Measurement and Application.

After review of GASB’s proposed statement on Fair Value Measurement and Application, our understanding is that GASB’s primary goal is to bring governmental reporting of investment valuation and risk in line with FASB’s ASC 820. For several years now, ASC 820 (formerly FAS 157) has required disclosure of significant investment classifications, their level within the fair value hierarchy, the valuation methodologies used by management in preparing the financial statements, and most recently, expanded disclosures pertaining to the risks related to numerous valuation methodologies available to management.

With regard to how the proposed pronouncement relates to current risk disclosures required by GASB 40, we do not believe that GASB intended to supplant or supersede those current disclosures, but to supplement them. While GASB 40 requires disclosure of credit, concentration, interest rate, and foreign currency risks, fair value measurement disclosures pertain to risks related to the inputs necessary to assign fair value to assets and liabilities. While GASB 40 requires a general narrative of the risks associated with cash and investment holdings, fair value requires a substantial amount of additional disclosure related to the individual types of investments held and the specific risks associated with their valuation.

Similar to ASC 820, GASB’s proposed pronouncement on fair value measurement includes language related to the use of the pronouncement for both assets and liabilities, but the greatest amount of the pronouncement pertains to investments, derivatives, and hedging. Very little is disclosed in the pronouncement regarding how it relates to the measurement of liabilities. Further still, there is no noticeable discussion as to whether similar valuation procedures and disclosures should be utilized for
deferred inflows and outflows of resources. We believe the consensus of the committee was that the proposed pronouncement should address this matter to clarify any confusion that may arise.

Respectfully submitted,

Cynthia Bergvall, Chair GASB Subcommittee of the PICPA Local Government Accounting and Auditing Committee
For the PICPA Local Government Accounting and Auditing Committee